

**Housing Authority of the
CITY OF MORGAN CITY**
Morgan City, Louisiana

**Annual Financial Report
As of and for the Year Ended September 30, 2013**

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Basic Financial Statements

As of and for the Year Ended September 30, 2013

With Supplemental Information Schedules

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of Morgan City
Morgan City, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the Housing Authority of the City of Morgan City (the authority) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Independent Auditor's Report, 2013

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I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly in all material respects, the respective financial position of the Housing Authority of the City of Morgan City as of September 30, 2013, and the respective changes in net financial position and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's discussion and analysis* as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the authority's basic financial statements. The Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Financial Data Schedule and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Independent Auditor's Report, 2013

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The Schedule of Compensation of Board Members has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated February 7, 2014 on my consideration of the authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the authority's internal control over financial reporting and compliance.

William Daniel McCaskill

William Daniel McCaskill, CPA
A Professional Accounting Corporation

February 7, 2014

Housing Authority of the City of Morgan City
Morgan City, Louisiana

Management's Discussion and Analysis

For the Year Ended September 30, 2013

The management of Public Housing Authority of Morgan City, Louisiana presents the following discussion and analysis (MD&A) of the Housing Authority's financial activities for the fiscal year ending September 30, 2013. This represents an overview of financial information. Please read this discussion and analysis in conjunction with the Authority's included audited financial statements.

IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June, 2011, the Governmental Accounting Standards Board (GASB) issued Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and includes five components: assets, deferred outflows of resources (none applies to this Housing Authority this year), liabilities, deferred inflows of resources (none applies to this Housing Authority this year), and a residual amount, referred to as the net position. The provisions of this Statement are now effective and apply to these financial statements.

FINANCIAL HIGHLIGHTS

- The primary source of funding for these activities continues to be subsidies and grants from the Department of Housing and Urban Development (HUD), whereas tenant rentals provide a secondary but also significant source of funding.
- The Housing Authority's assets exceeded its liabilities by \$3,262,327 at the close of the fiscal year ended 2013.
 - Of this amount \$2,916,107 represents a restriction equal to the net amount invested in land, buildings, furnishings, leasehold improvements, equipment, and construction in progress, minus associated debts.
 - Also of this amount, \$13,958 of net position is restricted for the Housing Choice Voucher program
 - The remainder of \$332,262 of unrestricted assets could be used to meet the Housing Authority's ongoing obligations to citizens and creditors. As a measure of financial strength, this amount equals 14% of the total operating expenses of \$2,377,959 for the fiscal year 2013, which means the Authority might be able to operate about 2 months using the unrestricted assets alone, compared to 1 months in the prior fiscal year.
- The Housing Authority's total net position increased by \$113,881, a 3% increase from the prior fiscal year 2012. This decrease is attributable to increases in Federal grants for both operations and capital improvements, described in more detail below.
- The increase in net position of these funds was accompanied by an increase in unrestricted cash by \$225,278 from fiscal year 2012, primarily due to the receipt of a CDBG grant reimbursing the authority for insurance deductibles previously expended.
- The Authority spent \$472,434 on capital asset additions during the current fiscal year.
- These changes led to an increase in total assets by \$64,858 and a decrease in total liabilities by \$49,023. As related measure of financial health, there are still over \$3 of current assets covering each dollar of total current liabilities, which compares to \$1 covering the prior fiscal year's liabilities.

- The Housing Authority continues to operate without the need for debt borrowing.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Housing Authority's basic financial statements. The Housing Authority is a special-purpose government engaged in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements, comprised of two components: (1) fund financial statements and (2) a series of notes to the financial statements. These provide information about the activities of the Housing Authority as a whole and present a longer-term view of the Housing Authority's finances. This report also contains other supplemental information in addition to the basic financial statements themselves demonstrating how projects funded by HUD have been completed, and whether there are inadequacies in the Authority's internal controls.

Reporting on the Housing Authority as a Whole

One of the most important questions asked about the Authority's finances is, "Is the Housing Authority as a whole better off, or worse off, as a result of the achievements of fiscal year 2013?" The Statement of net position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Housing Authority as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Fund Financial Statements

The Housing Authority accounts for all financial activity in a single enterprise fund. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Housing Authority, like other enterprises operated by state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Housing Authority's financial statements report its net position and changes in net position. One can think of the Housing Authority's net position – the difference between assets and liabilities – as one way to measure the Authority's financial health, or financial position. Over time, increases and decreases in the Authority's net position are one indicator of whether its financial health is improving or deteriorating. One will need to consider other non-financial factors, however, such as the changes in the Authority's occupancy levels or its legal obligations to HUD, to assess the overall health of the Housing Authority.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant programs:

Low Rent Public Housing	\$ 599,721
Public Housing Capital Fund Program	625,632
Housing Choice Vouchers	293,002
Block Grant	267,393
Total funding received this current fiscal year	<u>\$1,785,748</u>

Housing Authority of Morgan City, Louisiana
Management's Discussion and Analysis (MD&A)
September 30th, 2013

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

FINANCIAL ANALYSIS

The Housing Authority's net position was \$3,262,327 as of September 30, 2013. Of this amount, \$2,916,107 was invested in capital assets, and the remaining \$332,262 was unrestricted. There were \$13,958 in specific assets restricted Housing Choice Voucher (HCV) program.

CONDENSED FINANCIAL STATEMENTS

Condensed Statement of Net Position As of September 30, 2013

	<u>2013</u>	<u>2012</u>
ASSETS		
Current assets	\$ 587,070	\$ 529,356
Assets restricted for Housing Choice Voucher (HCV) program,	13,958	32,030
Capital assets, net of depreciation	<u>2,916,107</u>	<u>3,001,139</u>
Total assets	<u>3,517,135</u>	<u>3,562,525</u>
LIABILITIES		
Current liabilities	243,352	401,189
Non-current liabilities	<u>11,456</u>	<u>12,889</u>
Total liabilities	<u>254,808</u>	<u>414,078</u>
NET POSITION		
Invested in capital assets, net of depreciation	2,916,107	3,001,139
Restricted net position	13,958	32,030
Unrestricted net position	<u>332,262</u>	<u>115,277</u>
Total net position	<u>3,262,327</u>	<u>3,148,446</u>

Housing Authority of Morgan City, Louisiana
Management's Discussion and Analysis (MD&A)
September 30th, 2013

CONDENSED FINANCIAL STATEMENTS (Continued)

The net position of these funds decreased by \$394,073, or by 13%, from those of fiscal year 2012, as explained below. In the narrative that follows, the detail factors causing this change are discussed:

**Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position
Fiscal Year Ended September 30,**

	<u>9 30 2013</u>	<u>9 30 2012</u>
Operating Revenues		
HUD Operating Grants	1,313,314	1,340,775
Dwelling rental	613,014	550,549
Other operating	226,879	169,132
Total operating revenues	<u>2,153,207</u>	<u>2,060,456</u>
Operating Expenses		
Housing Assistance Payments	280,724	285,286
General and administrative	881,814	1,070,069
Repairs and maintenance	494,236	533,259
Utilities	314,517	316,979
Tenant services	3,920	1,309
Depreciation and amortization	556,266	578,145
Total operating expenses	<u>2,531,477</u>	<u>2,785,047</u>
Operating income (loss)	(378,270)	(724,591)
Nonoperating Revenues (Expenses):		
Interest revenue	262	381
Miscellaneous revenues	19,454	47,162
Total nonoperating revenues (expenses)	<u>19,716</u>	<u>47,543</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	(358,554)	(677,048)
Capital contributions (grants)	472,434	164,684
Increase (decrease) in net position	113,880	(512,364)
NET POSITION, BEGINNING OF FISCAL YEAR	<u>3,148,447</u>	<u>3,660,810</u>
NET POSTION, END OF FISCAL YEAR	<u>\$ 3,262,327</u>	<u>\$ 3,148,446</u>

Compared with the prior fiscal year, total operating and non-operating revenues increased \$317,872, or by 13%, from a combination of larger offsetting factors. Reasons for most of this change are listed below in order of impact from greatest to least:

- Federal Capital Funds from HUD increased by \$307,750 from that of the prior fiscal year. The Housing Authority was still in the process of completing projects funded from grants by HUD for fiscal years 2009 through 2013, and submitted a new grant during fiscal year 2013.
- Total tenant revenue increased by \$120,211, or by 17% from that of the prior fiscal year, and because the amount of rent each tenant pays is based on a sliding scale of their personal income. Some tenants' personal incomes increased, so rent revenue from these tenants increased accordingly, raising the overall total. Finally, other tenant revenues (such as fees collected from tenants for late payment of rent, damages to their units, and other assessments) increased by \$28,394, or by 14%.
- Total other non-operating revenue decreased by \$28,744, or by 60% from that of the prior fiscal year. This is due to the Authority received proceeds from casualty insurance claims, which are recorded as other income by the Authority in the year received. Also, restricted investment and interest income decreased by \$99. In addition, gains on the sale of capital assets increased by \$1,036.
- Federal revenues from HUD for operations decreased by \$27,461, or by 2% from that of the prior fiscal year. The determination of operating grants is based in part upon operations performance of prior years. This amount fluctuates from year-to-year because of the complexities of the funding formula HUD employs. Generally, this formula calculates an allowable expense level adjusted for inflation, occupancy, and other factors, and then uses this final result as a basis for determining the grant amount. The amount of rent subsidy received from HUD depends upon an eligibility scale of each tenant. There was a decrease in the number of eligible tenants receiving subsidies, so Housing Assistance Grants decreased accordingly, lowering the overall total.
- Interest income totaling \$262, did not change significantly from the prior to the current year.

Compared with the prior fiscal year, total operating and non-operating expenses decreased \$253,570, or by 9%, but this also was made up of a combination of offsetting factors. Again, reasons for most of this change are listed below in order of impact from greatest to least:

- Depreciation expense decreased by \$21,879, or by 4% from that of the prior fiscal year.
- Maintenance and repairs decreased by \$48,041, or by 9% from that of the prior fiscal year, due to several major factors: Repair staff wages decreased by \$60,029, or by 26%, and related employee benefit contributions decreased by \$13,008, or by 19%. However, materials used increased by \$3,100, or by 2%, and contract labor costs increased by \$22,896, or by 32%. In addition, Extraordinary maintenance decreased by \$1,000 from that of the prior fiscal year.

Housing Authority of Morgan City, Louisiana
 Management's Discussion and Analysis (MD&A)
 September 30th, 2013

- General and Administrative Expenses decreased by \$249,292 188255, or by 30% 17% from that of the prior fiscal year, due to a combination of offsetting factors: Administrative staff salaries decreased by \$159,979, or by 39%, and related employee benefit contributions decreased by \$17,558, or by 29% therefore, total staff salaries and benefit costs decreased by 37%. In addition, audit fees decreased by \$2,990, or by 20%. Finally, staffs travels reimbursements decreased by \$5,846, or by 46% and office expenses increased by \$12,033, or by 22%.
- Housing Assistance Payments to landlords decreased by \$4,562, or by 2% from that of the prior fiscal year.
- Utilities Expense decreased by \$2,454, from that of the prior fiscal year
- Casualty losses increased by \$9,018, from that of the prior fiscal year.
- Tenant services, totaling \$3,920, did not change significantly from the prior to the current year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2013, the Housing Authority had a total cost of \$14,320,462 invested in a broad range of assets and construction in progress from projects funded in 2009 through 2013, listed below. This amount, not including depreciation, represents increases of \$470,434 from the prior year. More detailed information about capital assets appears in the notes to the financial statements.

**Capital Assets
 As of September 30, 2013**

	<u>2013</u>	<u>2012</u>
Land	\$ 269,500	\$ 165,000
Construction in progress	-	33,816
Buildings and improvements	13,625,655	13,216,713
Furniture and equipment	<u>425,307</u>	<u>434,499</u>
Total	<u><u>14,320,462</u></u>	<u><u>13,850,028</u></u>

As of the end of the 2013 fiscal year, the Authority is still in the process of completing HUD grants of \$1,955,127 obtained during 2009 through 2013 fiscal years.

Debt

Non-current liabilities also include accrued annual vacation leave due to employees. The Housing Authority has not incurred any mortgages, leases, or bond indentures for financing capital assets or operations.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. The capital budgets for the 2014 fiscal year have already been submitted to HUD for approval and no major changes are expected.

The Capital fund programs are multiple year budgets and have remained relatively stable. Capital Funds are used for the modernization of public housing properties including administrative fees involved in the modernization.

CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide our citizens, investors, and creditors with a general overview of the Housing Authority's finances, and to show the Housing Authority's accountability for the money it receives. If you have questions about this report, or wish to request additional financial information, contact Clarence Robinson, at Public Housing Authority of Morgan City, Louisiana.

Housing Authority of the City of Morgan City
Morgan City, Louisiana
Statement of Net Position
As of September 30, 2013

ASSETS**Current assets**

Cash and cash equivalents	316,209
Receivables:	
HUD	8,051
Tenant rents, net of allowance	1,094
Miscellaneous, net of allowance	2,358
Prepaid expenses	211,304
Inventory, net of allowance	16,561
Restricted assets - cash and cash equivalents	<u>45,451</u>

Total current assets	<u>601,028</u>
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Noncurrent assets

Capital assets:

Nondepreciable capital assets:

Land	<u>269,500</u>
Total nondepreciable capital assets	<u>269,500</u>

Depreciable capital assets:

Buildings and improvements	13,625,655
Furniture and equipment	425,307
Less accumulated depreciation	<u>(11,404,355)</u>
Total depreciable capital assets, net of accumulated depreciation	<u>2,646,607</u>

Total capital assets, net of accumulated depreciation	<u>2,916,107</u>
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Total assets	<u>3,517,135</u>
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TOTAL ASSETS	<u><u>3,517,135</u></u>
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(continued)

Housing Authority of the City of Morgan City
Morgan City, Louisiana
Statement of Net Position
As of September 30, 2013

LIABILITIES AND NET POSITION**Current Liabilities**

Accounts payable	11,205
Payable to other governments	100,210
Accrued compensated absences	6,609
HUD liability	1,755
Unearned revenue	51,280
Other liability	40,878
Security deposit liability	31,415

Total current liabilities

243,352
Noncurrent liabilities

Accrued compensated absences	11,456
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Total noncurrent liabilities

11,456
TOTAL LIABILITIES

254,808

NET POSITION

Net Investments in Capital Assets	2,916,107
Restricted	13,958
Unrestricted	332,262

TOTAL NET POSITION

\$ 3,262,327

The accompanying notes are an integral part of these financial statements.

Exhibit B

Housing Authority of the City of Morgan City
Morgan City, Louisiana
Statement of Revenues, Expenses, and Changes In Net Position
For the Year Ended September 30, 2013

Operating Revenues	
HUD Operating Grants	\$ 1,313,314
Dwelling Rental	613,014
Other Operating	<u>226,879</u>
Total operating revenues	<u>2,153,207</u>
Operating Expenses	
Housing Assistance Payments	280,724
General and administrative	881,814
Repairs and maintenance	494,236
Utilities	314,517
Tenant services	3,920
Depreciation and amortization	<u>556,266</u>
Total operating expenses	<u>2,531,477</u>
Operating income (loss)	(378,270)
Nonoperating Revenues (Expenses):	
Interest revenue	262
Miscellaneous revenues	<u>19,454</u>
Total nonoperating revenues (expenses)	<u>19,716</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	(358,554)
Capital contributions (grants)	472,434
Increase (decrease) in net position	113,880
Net position, beginning of year	<u>3,148,447</u>
Net position, end of year	<u><u>\$ 3,262,327</u></u>

The accompanying notes are an integral part of these financial statements.

Housing Authority of the City of Morgan City
Statement of Cash Flows
For the Year Ended September 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from federal subsidies	\$ 1,313,314
Receipts from tenants	836,838
Payments to landlords	(280,724)
Payments to suppliers	(1,235,462)
Payments to employees	<u>(428,402)</u>
Net cash provided by operating activities	<u>205,564</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Miscellaneous revenues	<u>19,454</u>
Net cash provided by noncapital financing activities	<u>19,454</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital grants	472,434
Purchase and construction of capital assets	<u>(472,434)</u>
Net cash (used in) capital and related financing activities	<u>-</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>262</u>
Net cash provided by investing activities	<u>262</u>

Net increase (decrease) in cash and cash equivalents	<u>225,280</u>
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Cash and cash equivalents - beginning of year	<u>136,380</u>
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Cash and Cash equivalents - unrestricted	316,209
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Cash and Cash equivalents - restricted	45,451
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Total Cash and Cash Equivalents - end of year	<u>\$ 361,660</u>
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Reconciliation of operating income (loss) to net cash provided by operating activities:

Operating (loss)	\$ (378,270)
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Adjustments to reconcile operating (loss) to net cash provided by operating activities:

Depreciation and amortization	556,266
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Changes in assets and liabilities:

HUD receivable	94,715
Tenant rents, net of allowance	(47)
Miscellaneous receivables	(2,358)
Prepaid insurance	(4,576)
Inventories	(12,344)
Accounts payable	(163,766)
Accrued wages payable	(8,454)
PILOT Payable	45,107
Accrued compensated absences	(2,049)
Unearned revenue	45,575
HUD liability	1,755
Other liability	34,660
Security deposit liability	<u>(650)</u>

Net cash provided by operating activities	<u>\$ 205,564</u>
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The accompanying notes are an integral part of the financial statements

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Notes to the Basic Financial Statements

September 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying basic financial statements of the authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

(1) Reporting Entity

The Housing Authority of The City of Morgan City (the authority) was chartered as a public corporation under the laws of the State of Louisiana for the purpose of providing safe and sanitary dwelling accommodations for the residents of the City of Morgan City, Louisiana. This formation was contingent upon the approval of the city.

The authority is governed by a Board of Commissioners (Board), which is composed of five members appointed by the city and serve five-year staggered terms. The Board of the authority exercises all powers granted to the authority.

GASB Statement No. 14 established criteria for determining the governmental reporting entity. Under provisions of this statement, the authority is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB 14, fiscally independent means that the authority may, without the approval or consent of another governmental entity, determine or modify its own budget, control collection and disbursements of funds, maintain responsibility for funding deficits and operating deficiencies, and issue bonded debt. The authority has no component units, defined by GASB 14 as other legally separate organizations for which the elected authority members are financially accountable.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

MORGAN CITY, LOUISIANA

Notes to the Financial Statements, 2013 - continued

The authority is a related organization of the City of Morgan City, Louisiana since the city appoints a voting majority of the authority's governing board. The city is not financially accountable for the authority as it cannot impose its will on the authority and there is no potential for the authority to provide financial benefit to, or impose financial burdens on, the city. Accordingly, the authority is not a component unit of the financial reporting entity of the city.

(2) Funds

The accounts of the authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

All funds of the authority are classified as proprietary. The general fund accounts for transactions of all of the authority's programs.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the authority's enterprise fund are HUD operating grants and subsidies, Section 8 Housing Assistance Subsidies, Section 8 Management Fees and tenant dwelling rents. Operating expenses include Section 8 Housing Assistance Payments, General and Administrative expenses, repairs and maintenance expenses, utilities and depreciation and amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The accompanying basic financial statements of the authority have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB statement No. 34, Basic Financial Statements and Managements discussion and Analysis—for State and Local Governments, which was unanimously approved in June 1999 by the GASB.

(3) Measurement focus and basis of accounting

Proprietary finds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this management focus all assets and all liabilities associated with the operation of these funds are included on the statement of net positions.

(4) Assets, liabilities, and net Position

(a) Deposits

The authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. HUD regulations, state law and the authority's investment policy allow the housing authority to invest in collateralized certificates of deposit and securities backed by the federal government.

(b) Inventory and prepaid items

All inventories are valued at cost on a first-in first-out (FIFO) basis. Inventories consist of expendable building materials and supplies held for consumption in the course of the authority's operations.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

(c) Restricted Assets

Cash equal to the amount of tenant security deposits, Housing Assistance Payment reserves and interest due HUD are reflected as restricted.

(d) Capital assets

Capital assets of the authority are included in the statement of net positions and are recorded at actual cost. The capitalization threshold is \$1,500. Depreciation of all exhaustible fixed assets is charged as an expense against operations.

Property, plant, and equipment of the Authority is depreciated using the straight line method over the following estimated useful lives:

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

MORGAN CITY, LOUISIANA

Notes to the Financial Statements, 2013 - continued

Buildings	20 years
Modernization and improvements	10 years
Furniture and equipment	3-5 years

(e) Due from/to other governments or agencies

Amounts due from/to the authority to/by other governments or agencies are generally for grants or programs under which the services have been provided by the authority. The authority also records an amount due to the various taxing districts within the region for payments in lieu of taxes.

(f) Allowance for doubtful accounts

The authority provides an allowance for doubtful accounts, as needed, for accounts deemed not collectible. At September 30, 2013, the management of the authority established an allowance for doubtful accounts of approximately \$1,288.

(g) Compensated absences

It is the authority's policy to permit employees to accumulate earned but unused vacation pay benefits. In accordance with the provisions of GASB Statement No. 16, "*Accounting for Compensated Absences*," vacation pay is accrued when incurred and reported as a liability.

Employees earn from 98 to 192 annual leave hours per year and may accumulate an unlimited number of annual leave hours. Employees receive payment for up to 300 annual leave hours upon termination or retirement at their then current rate of pay. The cost of current leave privileges, computed in accordance with GASB Codification Section C60 is recognized as a current year expense when leave is earned

(h) Restricted net Position

Net positions are reported as restricted when constraints placed on net positions use are either:

Externally imposed by creditors (such as debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Restricted resources are used first when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

MORGAN CITY, LOUISIANA

Notes to the Financial Statements, 2013 - continued

(i) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the government-wide financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – DEPOSITS

Deposits are stated at cost, which approximates fair value. Under state law and/or federal regulation, these deposits, or the resulting bank balances, must be in Federal Securities, secured by federal deposit insurance or the pledge of federal securities. The fair value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent.

As of September 30, 2013, the authority's carrying amount of deposits was \$361,660, which includes the following:

Cash and cash equivalents-unrestricted	\$316,209
Cash and cash equivalents- restricted	45,451
Total	\$361,660

Interest Rate Risk—The authority's policy does not address interest rate risk.

Credit Rate Risk—Since all of the authority's deposits are federally insured and/or backed by federal securities, the authority does not have credit rate risk.

Custodial Credit Risk—This is the risk that in the event of a bank failure, the authority's deposits may not be returned to it. The authority does not have a policy for custodial credit risk. \$250,000 of the authority's total deposits were covered by federal depository insurance, and do not have custodial credit risk. The remaining \$146,093 of deposits have custodial credit risk, were collateralized with securities held by the pledging financial institution trust department or agent. However, these pledged securities were not Federally guaranteed which violated Federal Regulation. See Finding F13-7 for further description regarding these securities pledged. The bank balances at September 30, 2013 totaled \$396,093.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
MORGAN CITY, LOUISIANA
Notes to the Financial Statements, 2013 - continued

NOTE C - CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2013 was as follows:

	<u>9 30 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>9 30 2013</u>
Nondepreciable Assets:				
Land	165,000	104,500		269,500
Construction in Progress	33,816	-	33,816	-
Depreciable Assets:				
Building and improvements	13,223,902	554,565	152,815	13,625,652
Furniture and equipment	<u>427,310</u>	<u>29,927</u>	<u>31,927</u>	<u>425,310</u>
Total	<u>13,850,028</u>	<u>688,992</u>	<u>218,558</u>	<u>14,320,462</u>
Less accumulated depreciation				
Building and improvements	10,481,761	531,496	-	11,013,257
Furniture and equipment	<u>366,328</u>	<u>24,770</u>	<u>-</u>	<u>391,098</u>
Total accumulated depreciation	<u>10,848,089</u>	<u>556,266</u>	<u>-</u>	<u>11,404,355</u>
Net Capital Assets	<u>3,001,939</u>	<u>132,726</u>	<u>218,558</u>	<u>2,916,107</u>

NOTE D – CONSTRUCTION COMMITMENTS

The authority is engaged in a modernization program and has entered into construction type contracts with approximately \$483,664 remaining until completion.

NOTE E – COMPENSATED ABSENCES

At September 30, 2013, employees of the authority have accumulated and vested \$18,065 of employee leave benefits, which was computed in accordance with GASB Codification Section C60. The leave payable is recorded in the accompanying financial statements. \$11,456 is reported in long-term debt.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

MORGAN CITY, LOUISIANA

Notes to the Financial Statements, 2013 - continued

NOTE F – LONG TERM OBLIGATIONS

As of September 30, 2013, long term obligations consisted of compensated absences in the amount of 11,456. The following is a summary of the changes in the long term obligations for the year ended September 30, 2013.

	Compensated Absences
Balance as of October 1, 2012	\$20,115
Additions	8,379
Deductions	(10,429)
Balance as of September 30, 2013	18,065
Long term portion	11,456
Amount due in one year (Short term)	\$6,609

NOTE G – POST EMPLOYMENT RETIREMENT BENEFITS

The authority does not provide any post employment retirement benefits. Therefore the authority does not include any entries for unfunded actuarial accrued liability, net OPEB expense, or annual contribution required.

NOTE H - RETIREMENT PLAN

The authority participates in the Louisiana Housing Council Group Retirement Plan, administered by Broussard, Bush and Hurst, which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities which are members of the Louisiana Housing Council. Through this plan, the authority provides pension benefits for all of its full-time employees. All full-time employees who have attained age 18 are eligible to participate in the plan on the first day of the month after completing three months of continuous and uninterrupted employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employer is required to make monthly contributions equal to seven percent of each participant's basic (excludes overtime) compensation. Employees are required to contribute five percent of their annual covered salary.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

MORGAN CITY, LOUISIANA

Notes to the Financial Statements, 2013 - continued

The authority's contribution for each employee and income allocated to the employee's account are fully vested after five years of continuous service. The authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the authority.

Normal retirement date shall be the first day of the month following the employee's sixty-fifth birthday. Early retirement may be elected on the first day of any month within 10 years of the employee's normal retirement date, provided the employee has completed five years of service with the authority. With the authority's consent, employees may defer retirement to the first day of any month beyond normal retirement date.

The authority's total payroll for the year ended September 30, 2013, was \$428,402. The authority's contributions were calculated using the base salary amount of \$142,995. The authority made the required contributions of \$10,010 for the year ended September 30, 2013.

NOTE I – RISK MANAGEMENT

The authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The authority's risk management program encompasses obtaining property and liability insurance.

The authority transfers risk of loss by participating in a public entity risk pool and contracting with a commercial insurance carrier for all major categories of exposed risk.

This includes coverage of property, general liability, public liability, and workers compensation. The risk pool and insurance contracted are obligated to meet settlements up to the maximum coverage, after the authority's deductions are met.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, there have been no significant claims that have exceeded commercial insurance coverages in any of the past three fiscal years.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

MORGAN CITY, LOUISIANA

Notes to the Financial Statements, 2013 - continued

NOTE J – COMMITMENTS AND CONTINGENCIES

In 2008 MCHA agreed to a legal compromise whereby MCHA agreed to pay a former employee \$55,000 pending approval of HUD. As of this FYE HUD has not approved this payment. The MCHA insurance company denied the claim.

The MCHA financial statements do not include any liability due to this potential liability.

In a distant fiscal year MCHA leased a land parcel to a convenience store, as described in Finding F-13-8. The lease includes the annual payment of \$12 from the convenience store to MCHA. MCHA annually records this payment as Other Revenue. MCHA has not contracted for a real estate appraisal to determine the present value of the lease.

NOTE K – FEDERAL COMPLIANCE CONTINGENCIES

The authority is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refund by the entity to federal grantors and/or program beneficiaries. The authority is subject to HUD's consideration of reducing grants in order to have the authority utilize authority Equity to fund expenses.

NOTE L – SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the authority through February 7, 2014 and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

NOTE M – ECONOMIC DEPENDENCE

Statement of Financial Accounting Standard (SFAS) No. 14 requires disclosure in financial statements of a situation where one entity provides more than 10% of the audited entity's revenues. The Department of Housing and Urban Development provided \$1,785,748 to the authority, which represents approximately 68% of the authority's total revenue for the year.

Financial Data Schedule

Housing Authority of the City of Morgan City (LA036)
MORGAN CITY, LA
Entity Wide Balance Sheet Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2013

	Project Total	14.671 Housing Choice Vouchers	14.228 Community Development Block Grants/State's Program	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$279,495	\$36,477		\$237	\$316,209		\$316,209
112 Cash - Restricted - Modernization and Development							
113 Cash - Other Restricted		\$13,958			\$13,958		\$13,958
114 Cash - Tenant Security Deposits	\$31,415				\$31,415		\$31,415
115 Cash - Restricted for Payment of Current Liabilities		\$78			\$78		\$78
100 Total Cash	\$310,910	\$50,513	\$0	\$237	\$361,660	\$0	\$361,660
121 Accounts Receivable - PHA Projects							
122 Accounts Receivable - HUD Other Projects	\$8,051				\$8,051		\$8,051
124 Accounts Receivable - Other Government							
125 Accounts Receivable - Miscellaneous	\$2,358				\$2,358		\$2,358
126 Accounts Receivable - Tenants	\$2,382				\$2,382		\$2,382
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,288				-\$1,288		-\$1,288
126.2 Allowance for Doubtful Accounts - Other	\$0				\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery							
128.1 Allowance for Doubtful Accounts - Fraud							
129 Accrued Interest Receivable							
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$11,503	\$0	\$0	\$0	\$11,503	\$0	\$11,503
131 Investments - Unrestricted							
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets	\$190,966	\$227		\$20,111	\$211,304		\$211,304
143 Inventories				\$17,433	\$17,433		\$17,433
143.1 Allowance for Obsolete Inventories				-\$872	-\$872		-\$872
144 Inter Program Due From	\$125,971			\$38,781	\$164,752	-\$164,752	\$0
145 Assets Held for Sale							
150 Total Current Assets	\$639,350	\$50,740	\$0	\$75,690	\$765,780	-\$164,752	\$601,028
161 Land	\$269,500				\$269,500		\$269,500
162 Buildings	\$11,973,581			\$521,605	\$12,495,186		\$12,495,186
163 Furniture, Equipment & Machinery - Dwellings	\$238,044				\$238,044		\$238,044
164 Furniture, Equipment & Machinery - Administration	\$168,711	\$18,552			\$187,263		\$187,263
165 Leasehold Improvements	\$1,130,469				\$1,130,469		\$1,130,469
166 Accumulated Depreciation	-\$11,123,216	-\$18,552		-\$262,587	-\$11,404,355		-\$11,404,355
167 Construction in Progress							
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,657,089	\$0	\$0	\$259,018	\$2,916,107	\$0	\$2,916,107
171 Notes, Loans and Mortgages Receivable - Non-Current							
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due							
173 Grants Receivable - Non Current							
174 Other Assets							
176 Investments in Joint Ventures							
180 Total Non-Current Assets	\$2,657,089	\$0	\$0	\$259,018	\$2,916,107	\$0	\$2,916,107
190 Total Assets	\$3,296,439	\$50,740	\$0	\$334,708	\$3,681,887	-\$164,752	\$3,517,135

Financial Data Schedule

	Project Total	14.871 Housing Choice Vouchers	14.228 Community Development Block Grants/State's Program	COCC	Subtotal	ELIM	Total
311 Bank Overdraft				\$0	\$0		\$0
312 Accounts Payable <= 90 Days	\$9,693			\$1,512	\$11,205		\$11,205
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable							
322 Accrued Compensated Absences - Current Portion	\$4,756			\$1,851	\$6,609		\$6,609
324 Accrued Contingency Liability							
325 Accrued Interest Payable							
331 Accounts Payable - HUD PHA Programs		\$1,755			\$1,755		\$1,755
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government	\$100,210				\$100,210		\$100,210
341 Tenant Security Deposits	\$31,415				\$31,415		\$31,415
342 Deferred Revenues	\$51,280				\$51,280		\$51,280
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue							
344 Current Portion of Long-term Debt - Operating Borrowings							
345 Other Current Liabilities		\$6,445			\$6,445		\$6,445
346 Accrued Liabilities - Other	\$34,433				\$34,433		\$34,433
347 Inter Program - Due To		\$38,781		\$125,971	\$164,752	-\$164,752	\$0
348 Loan Liability - Current							
310 Total Current Liabilities	\$231,789	\$46,981	\$0	\$129,334	\$408,104	-\$164,752	\$243,352
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue							
352 Long-term Debt, Net of Current - Operating Borrowings							
353 Non-current Liabilities - Other							
354 Accrued Compensated Absences - Non Current	\$6,366			\$5,090	\$11,456		\$11,456
355 Loan Liability - Non Current							
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities							
350 Total Non-Current Liabilities	\$6,366	\$0	\$0	\$5,090	\$11,456	\$0	\$11,456
300 Total Liabilities	\$238,155	\$46,981	\$0	\$134,424	\$419,560	-\$164,752	\$254,808
508.1 Invested in Capital Assets, Net of Related Debt	\$2,657,089	\$0	\$0	\$259,016	\$2,916,107		\$2,916,107
511.1 Restricted Net Assets		\$13,958			\$13,958		\$13,958
512.1 Unrestricted Net Assets	\$401,195	-\$10,199	\$0	-\$58,734	\$332,262		\$332,262
513 Total Equity/Net Assets	\$3,058,284	\$3,759	\$0	\$200,284	\$3,262,327	\$0	\$3,262,327
600 Total Liabilities and Equity/Net Assets	\$3,296,439	\$50,740	\$0	\$334,708	\$3,681,867	-\$164,752	\$3,517,135

Financial Data Schedule

Housing Authority of the City of Morgan City (LA036) MORGAN CITY, LA

Entity Wide Revenue and Expense Summary

Submission Type: Audited/A-133

Fiscal Year End: 09/30/2013

	Project Total	14.871 Housing Choice Vouchers	14.228 Community Development Block Grants/State's Program	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$613,014				\$613,014		\$613,014
70400 Tenant Revenue - Other	\$226,879				\$226,879		\$226,879
70500 Total Tenant Revenue	\$839,893	\$0	\$0	\$0	\$839,893	\$0	\$839,893
70600 HUD PHA Operating Grants	\$752,919	\$293,002	\$267,393		\$1,313,314		\$1,313,314
70610 Capital Grants	\$472,434				\$472,434		\$472,434
70710 Management Fee				\$139,381	\$139,381	-\$139,381	\$0
70720 Asset Management Fee				\$12,353	\$12,353	-\$12,353	\$0
70730 Book Keeping Fee				\$23,603	\$23,603	-\$23,603	\$0
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue				\$175,337	\$175,337	-\$175,337	\$0
70800 Other Government Grants							
71100 Investment Income - Unrestricted		\$2		\$260	\$262		\$262
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery							
71500 Other Revenue	\$17,953			\$1,491	\$19,454		\$19,454
71600 Gain or Loss on Sale of Capital Assets							
72000 Investment Income - Restricted							
70000 Total Revenue	\$2,083,209	\$293,004	\$267,393	\$177,088	\$2,820,694	-\$175,337	\$2,645,357
91100 Administrative Salaries	\$96,202	\$15,495		\$141,936	\$253,633		\$253,633
91200 Auditing Fees	\$10,605	\$635		\$635	\$11,875		\$11,875
91300 Management Fee	\$139,381				\$139,381	-\$139,381	\$0
91310 Book-keeping Fee	\$23,603				\$23,603	-\$23,603	\$0
91400 Advertising and Marketing	\$1,421	\$79		\$366	\$1,866		\$1,866
91500 Employee Benefit contributions - Administrative	\$8,860	\$4,104		\$30,950	\$43,914		\$43,914
91600 Office Expenses	\$40,434	\$11,913		\$14,647	\$66,994		\$66,994
91700 Legal Expense	\$275				\$275		\$275
91800 Travel	\$1,134	\$1,787		\$3,817	\$6,738		\$6,738
91810 Allocated Overhead							
91900 Other	\$18,337	\$51		\$7,081	\$25,469		\$25,469
91000 Total Operating - Administrative	\$340,252	\$34,064	\$0	\$199,432	\$573,748	-\$162,984	\$410,764
92000 Asset Management Fee	\$12,353				\$12,353	-\$12,353	\$0
92100 Tenant Services - Salaries							
92200 Relocation Costs	\$119				\$119		\$119
92300 Employee Benefit Contributions - Tenant Services	\$3,254				\$3,254		\$3,254
92400 Tenant Services - Other	\$547				\$547		\$547
92500 Total Tenant Services	\$3,920	\$0	\$0	\$0	\$3,920	\$0	\$3,920

Financial Data Schedule

	Project Total	14.871 Housing Choice Vouchers	14.228 Community Development Block Grants/State's Program	COC	Subtotal	ELIM	Total
93100 Water	\$33,767				\$33,767		\$33,767
93200 Electricity	\$202,944				\$202,944		\$202,944
93300 Gas	\$62,727				\$62,727		\$62,727
93400 Fuel							
93500 Labor							
93600 Sewer	\$15,079				\$15,079		\$15,079
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense							
93000 Total Utilities	\$314,517	\$0	\$0	\$0	\$314,517	\$0	\$314,517
94100 Ordinary Maintenance and Operations - Labor	\$174,769				\$174,769		\$174,769
94200 Ordinary Maintenance and Operations - Materials and Other	\$159,928			\$1,483	\$161,411		\$161,411
94300 Ordinary Maintenance and Operations Contracts	\$90,796	\$304		\$4,178	\$95,278		\$95,278
94500 Employee Benefit Contributions - Ordinary Maintenance	\$53,760				\$53,760		\$53,760
94000 Total Maintenance	\$479,253	\$304	\$0	\$5,661	\$485,218	\$0	\$485,218
95100 Protective Services - Labor							
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$196,674				\$196,674		\$196,674
96120 Liability Insurance	\$18,760			\$3,382	\$22,142		\$22,142
96130 Workmen's Compensation	\$15,349	\$4,532		\$5,253	\$25,134		\$25,134
96140 All Other Insurance	\$119,074	\$42		\$33,120	\$152,236		\$152,236
96100 Total Insurance Premiums	\$349,857	\$4,574	\$0	\$41,755	\$396,186	\$0	\$396,186
96200 Other General Expenses	\$1,513	\$170		\$228	\$1,911		\$1,911
96210 Compensated Absences	\$7,824			\$555	\$8,379		\$8,379
96300 Payments in Lieu of Taxes	\$45,108				\$45,108		\$45,108
96400 Bad debt - Tenant Rents	\$19,465				\$19,465		\$19,465
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$73,910	\$170	\$0	\$783	\$74,863	\$0	\$74,863
96710 Interest of Mortgage (or Bonds) Payable							
96720 Interest on Notes Payable (Short and Long Term)							
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,574,062	\$39,112	\$0	\$247,631	\$1,860,805	-\$175,337	\$1,685,468
97000 Excess of Operating Revenue over Operating Expenses	\$509,147	\$253,892	\$267,393	-\$70,543	\$959,889	\$0	\$959,889

Financial Data Schedule

	Project Total	14.871 Housing Choice Vouchers	14.228 Community Development Block Grants/State's Program	COC	Subtotal	ELIM	Total
97100 Extraordinary Maintenance							
97200 Casualty Losses - Non-capitalized	\$9,018				\$9,018		\$9,018
97300 Housing Assistance Payments		\$280,724			\$280,724		\$280,724
97350 HAP Portability-In							
97400 Depreciation Expense	\$504,106			\$52,160	\$556,266		\$556,266
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$2,087,186	\$319,836	\$0	\$299,791	\$2,706,813	-\$175,337	\$2,531,476
10010 Operating Transfer In	\$402,985				\$402,985		\$402,985
10020 Operating Transfer Out	-\$135,593		-\$267,393		-\$402,986		-\$402,986
10030 Operating Transfers from/to Primary Government							
10040 Operating Transfers from/to Component Unit							
10050 Proceeds from Notes, Loans and Bonds							
10060 Proceeds from Property Sales							
10070 Extraordinary Items, Net Gain/Loss							
10080 Special Items (Net Gain/Loss)							
10091 Inter Project Excess Cash Transfer In							
10092 Inter Project Excess Cash Transfer Out							
10093 Transfers between Program and Project - In							
10094 Transfers between Project and Program - Out							
10100 Total Other financing Sources (Uses)	\$267,392	\$0	-\$267,393	\$0	-\$1	\$0	-\$1
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$263,415	-\$26,832	\$0	-\$122,703	\$113,880	\$0	\$113,880
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$2,794,869	\$30,591	\$0	\$322,987	\$3,148,447		\$3,148,447
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0				\$0		\$0
11050 Changes in Compensated Absence Balance							
11060 Changes in Contingent Liability Balance							
11070 Changes in Unrecognized Pension Transition Liability							
11080 Changes in Special Term/Severance Benefits Liability							
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents							
11100 Changes in Allowance for Doubtful Accounts - Other							
11170 Administrative Fee Equity		-\$10,199			-\$10,199		-\$10,199
11180 Housing Assistance Payments Equity		\$13,958			\$13,958		\$13,958
11190 Unit Months Available	3519	700		0	4219		4219
11210 Number of Unit Months Leased	2663	700		0	3363		3363
11270 Excess Cash	\$87,014				\$87,014		\$87,014
11610 Land Purchases	\$104,500			\$0	\$104,500		\$104,500
11620 Building Purchases	\$367,934			\$0	\$367,934		\$367,934
11630 Furniture & Equipment - Dwelling Purchases	\$0			\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0			\$0	\$0		\$0
11650 Leasehold Improvements Purchases	\$0			\$0	\$0		\$0
11660 Infrastructure Purchases	\$0			\$0	\$0		\$0
13510 OFFP Debt Service Payments	\$0			\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0			\$0	\$0		\$0

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**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards***

Board of Commissioners
Housing Authority of the City of Morgan City
Morgan City, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the City of Morgan City, as of and for the year ended September 30 2013, and the related notes to the financial statements, which collectively comprise the authority's basic financial statements, and have issued my report thereon dated February 7, 2014.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the authority's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control that I consider to be material weaknesses.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Report on Internal Control... *Government Auditing Standards*, 2013,

Page 2

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. See Finding F-13-1 and F-13-2.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the authority's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items Finding F-13-1 and F-13-2.

The Authority's Response to Findings

The Authority's response to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

William Daniel McCaskill

William Daniel McCaskill, CPA
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February 7, 2014

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**Independent Auditor's Report on Compliance For Each Major Federal Program
and on Internal Control Over Compliance Required by OMB Circular A-133**

Board of Commissioners
Housing Authority of the City of Morgan City
Morgan City, Louisiana

Report on Compliance for Each Major Federal Program

I have audited the Housing Authority of the City of Morgan City's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the authority's major federal programs for the year ended September 30, 2013. The authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Report on Compliance...A-133, 2013

Page Two

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the authority's compliance.

Basis for Qualified Opinion on Low Rent Public Housing and Housing Choice Voucher Programs

As described in Findings F-13-1, F-13-2, F-13-3, F-13-4, F-13-5, F-13-6, F-13-7 and F-13-8 in the accompanying schedule of findings and questioned costs, the Authority did not comply with requirements regarding the following:

FINDING #	CFDA #	FEDERAL PROGRAM	COMPLIANCE REQUIREMENT
F-13-1	14.850	Low Rent Public Housing	Allowable Cost/Cost Principles
F-13-2	14.850	Low Rent Public Housing	Reporting
F-13-3	14.850 14.871	Low Rent Public Housing Housing Choice Voucher	Activities Unallowed
F-13-4	14.850	Low Rent Public Housing	Special Tests and Provisions
F-13-5	14.871	Housing Choice Voucher	Eligibility, Special tests and Provisions
F-13-6	14.871	Housing Choice Voucher	Special Tests and Provisions
F-13-7	14.850 14.871	Low Rent Public Housing Housing Choice Voucher	Special Tests and Provisions
F-13-8	14.850	Low Rent Public Housing	Special Tests and Provisions

Compliance with such requirements is necessary, in my opinion, for the Authority to comply with the requirements applicable to those programs.

Qualified Opinion on the Low Rent Public Housing and Housing Choice Voucher Programs

In my opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Low Rent Public Housing and Housing Choice Voucher Programs for the year ended September 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In my opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2013.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Report on Compliance...A-133, 2013

Page Three

Other Matters

The Housing Authority's response to the noncompliance findings identified in my audit is described in the accompanying schedule of findings and questioned costs. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, I express no opinion on the response.

Report on Internal Control Over Compliance

Management of the authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the authority's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items F-13-1, F-13-2, F-13-3, F-13-4, F-13-5, F-13-6, F-13-7 and F-13-8 to be material weaknesses.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Report on Compliance...A-133, 2013

Page Four

The Authority's response to the internal control over compliance finding identified in my audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

William Daniel McCaskill

William Daniel McCaskill, CPA
A Professional Accounting Corporation

February 7, 2014

Housing Authority of the City of Morgan City
Morgan City, Louisiana
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

<i>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</i>	<i>CFDA #</i>	<i>Federal Expenditures</i>
U.S. Department of Housing and Urban Development:		
Direct Programs:		
Low Rent Public Housing	14.850a	\$ 599,721
Housing Choice Voucher Program	14.871	293,002
Public Housing Capital Fund Program	14.872	625,632
<i>Passed Through State of Louisiana, Division of Administration, Office of Community Development, Disaster Recovery Unit and the Louisiana Housing Council, Inc. Group Self Insurance Risk Management Agency</i>		
Community Development Block Grants/State's Program	14.228	267,393
Total Federal Expenditures		<u><u>\$ 1,785,748</u></u>

See accompanying notes to schedule of expenditures of federal awards.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2013

NOTE A – General

The accompanying Schedule of Expenditures of Federal Awards presents all of the Federal awards programs of the Authority. The authority reporting entity is defined in Note 1 to the basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies are included in this schedule.

NOTE B – Basis of accounting

The accompanying Schedule of Expenditures of Federal Awards Programs is presented using the accrual basis of accounting, which is described in Note 1 to the authority's basic financial statements.

NOTE C – Relationship to Basic Financial Statements

Federal awards revenues are reported in the authority's basic financial statements as follows:

Low Rent Public Housing	599,721
Housing Choice Voucher Program	293,002
Public Housing Capital Fund Program	625,632
Community Development Block Grant	267,393

NOTE D – Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with GAAP.

NOTE E- FEDERAL AWARDS

For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures. In accordance with HUD Notice PIH 9814, "federal awards" do not include the authority's operating income from rents or investments (or other Non-federal sources). In addition, the entire amount of operating subsidy received and/or accrued during the fiscal year is considered to be expended during the fiscal year.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Schedule of Findings and Questioned Costs Fiscal Year Ended September 30, 2013

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☒ yes ☐ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB

Circular A-133? ☒ yes ☐ no

Identification of major programs:

14.850 Public and Indian Housing – Low Rent Program
14.871 Housing Choice Voucher Program
14.872 Capital Fund Program

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Schedule of Findings and Questioned Costs (Continued)

Fiscal Year Ended September 30, 2013

The threshold used for distinguishing between Type A and B programs was \$300,000.

Auditee qualified as a low-risk auditee? ☐yes ☒no

SECTION II - FINDINGS - FINANCIAL STATEMENTS AUDIT

FINDING F-13-1

See SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

The finding is considered both a GAS finding and an A-133 finding

FINDING F-13-2

See SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

The finding is considered both a GAS finding and an A-133 finding

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Schedule of Current Audit Findings and Questioned Costs (Continued)

Fiscal Year Ended September 30, 2013

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COST

FINDING F-13-1

FEDERAL PROGRAM IDENTIFICATION:

Awarding Agency – HUD

CFDA # 14.850, Public Housing Program, Federal Award Year 2012 & 2013

CFDA #14.871, Housing Choice Vouchers Program, Federal Award Year 2012 & 2013

Criteria: The Authority should exhibit proper internal controls to ensure that all expenses reported are for allowable costs and included in board-approved budgets. The board of commissioners should review and approve all employee salaries and bonuses in the form of budgets that are both entity wide and detailed for each staff member and for each MCHA program. Incentive type bonuses must comply with Federal and State Laws and regulations and MCHA Policies. The MCHA Rewards and Recognition Policy must be current and approved by the State Civil Service Commission and the MCHA Board of Commissioners. Documentation supporting all bonuses must be maintained by MCHA. It is essential that the board understand who is being paid how much, which program this is being charged to, and the amount of salary versus bonus.

Condition: The board minutes did not include any approval of employee bonuses during the fiscal year. Bonuses paid to MCHA staff in the amount of \$56,285 appear to be based on calculations not in compliance with MCHA Policies. MCHA Policies during this period were not approved by the State Civil Service Commission. It appears that MCHA Policies, as approved by the Board of Commissioners, were later altered and used as the basis for the incorrect calculation approved by management .

This is a repeat finding from the prior audit and the matter was previously referred to the HUD OIG as well as the Morgan City Police Department for consideration. I understand that the HUD OIG has an ongoing investigation into this matter.

Cause: The Authority did not design and implement procedures and controls to ensure compliance with regulations and proper internal controls.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Schedule of Current Audit Findings and Questioned Costs (Continued)

Fiscal Year Ended September 30, 2013

Effect: Authority expenditures regarding bonuses were not properly approved by the board of commissioners and were in violation of federal and state laws and regulations. Bonus calculations were based on Policies not approved by the Board of Commissioners.

Questioned Costs: I am questioning all bonuses paid totaling \$56,825.

Recommendation: My recommendations are:

No future bonuses be considered until MCHA's Unrestricted Net Assets (MCHA's share of Equity) reports a balance healthy enough to support future operations

All staff salary levels be reconsidered based on the financial health of MCHA at this time. It may be that current salary levels have, over time, become distorted and should be adjusted to the realistic value of the services performed by each staff member.

Immediately, all future budget's and budget revisions presented to the board should clearly describe salaries and bonuses in budgets formats that are both entity wide and detailed for each staff member and for each MCHA program. It is essential that the board understand who is being paid exactly how much, which program is paying this expenditure, and the amount of salary versus bonus for each staff member.

If bonuses are considered in the future, have the authority adopt a policy that describes exactly how a staff member will be evaluated for bonus consideration. Document that the criteria determining the payment is correctly evaluated, Minutes and resolutions authorizing payments define the % and/or the dollar amounts of the payments, and document that the board considers the total cumulative amount of these payments to each staff member receiving payments, and that these payments are preapproved by the Civil Service Commission.

Adopt a policy revision for salaries that includes an annual written formal review of each staff member's actual performance versus acceptable performance, to be documented in writing and included in the personnel files.

PHA Response: See Corrective Action Plan

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Schedule of Current Audit Findings and Questioned Costs (Continued)

Fiscal Year Ended September 30, 2013

FINDING F-13-2

FEDERAL PROGRAM IDENTIFICATION:

Awarding Agency – HUD

CFDA # 14.850, Public Housing Program, Federal Award Year 2012 & 2013

Criteria: Per SAS 115 material audit adjustments in themselves document a weakness in internal control over financial reporting.

Condition: The auditor was required to make material audit adjustments to the financial statements.

Cause: The Authority did not have in place procedures and controls to ensure that material mistakes would be detected and corrected during the course of normal MCHA activity.

Effect: The financial information originally reported was materially misstated and several adjustments were necessary.

Questioned Costs: None

Recommendation: The Authority should develop procedures, systems and controls to ensure that MCHA staff, during the normal course of their work, detect and correct material mistakes for financial statement reporting.

PHA Response: See Corrective Action Plan

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Schedule of Current Audit Findings and Questioned Costs (Continued)

Fiscal Year Ended September 30, 2013

FINDING F-13-3

FEDERAL PROGRAM IDENTIFICATION:

Awarding Agency – HUD
CFDA # 14.850, Public Housing Program, Federal Award Year 2012 &
2013
CFDA #14.871, Housing Choice Vouchers Program, Federal Award Year
2012 & 2013

Criteria: The Annual Contributions Contract (ACC) and the 1937 Act of Congress prohibit Federal Programs from loaning monies to any other program or entity. Any advances of monies, even in violation of the ACC and the Act of Congress, should only be made to programs or entities with the ability to repay the advances at any time.

Condition: As of 9-30-2013, the Public Housing Program recorded a loan to the COCC of \$125,971. At the same time the COCC reported negative Unrestricted Net Assets in the amount of \$58,734, meaning the COCC did not have the ability to repay the debt in full.

As of 9/30/2013, the HCV program owed the COCC \$38,781. At that time the HCV program reported a negative Unrestricted Net Assets in the amount of \$10,199, meaning the HCV Program did not have the ability to repay the debt in full.

PROGRAM	AS OF 9 30 2013	
	AR	AP
LOW RENT	125,971	
HOUSING CHOICE VOUCHERS		38,781
COCC	38,781	125,971

Cause: The Authority did not implement procedures and controls to ensure compliance with the ACC and the 1937 Act of Congress.

Effect: The authority violated the ACC and the 1937 Act of Congress.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Schedule of Current Audit Findings and Questioned Costs (Continued)

Fiscal Year Ended September 30, 2013

Questioned Costs: None

Recommendation: I recommend that the authority immediately take steps to eliminate operating losses in the COCC and HCV fund. I recommend the authority immediately use the HUD provided Excel Tool to ensure that HCV Program Funds are brought into compliance ASAP. I recommend the authority develop and implement a plan to ensure that inter program loans are eliminated ASAP.

PHA Response: See Corrective Action Plan

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Schedule of Current Audit Findings and Questioned Costs (Continued)

Fiscal Year Ended September 30, 2013

FINDING F-13-4

FEDERAL PROGRAM IDENTIFICATION:

Awarding Agency – HUD
CFDA # 14.850, Public Housing Program, Federal Award Year 2012 &
2013

Criteria: Under HUD Asset Management (AM) regulations the authority :

Asset Management fees should be paid to the COCC only with excess cash in the AMPs.

Utility expense for the COCC should be excluded from the Low Rent operating subsidy calculation forms (52722) submitted to HUD for calculating funding.

Management fees should be calculated using HUD provided benchmark levels.

Condition:

The AMP's paid AM fees to the COCC even though the AMPs did not have the required excess cash.

Form 52722, Low Rent Operating Fund Calculation of utilities expense level included utility expense of the COCC producing incorrect results

The authority used an outdated amount to calculate property management fees charged to the AMPs by the COCC.

Cause: The Authority did not properly design and implement proper internal controls over these areas.

Effect: The authority is not in compliance with HUD regulations.

Questioned Costs: None

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Schedule of Current Audit Findings and Questioned Costs (Continued)

Fiscal Year Ended September 30, 2013

Recommendation:

I recommend the authority:

Immediately opt out of Asset Management, which will reduce regulations the authority must comply with and make it easier to comply with the following regulations

Immediately design and implement proper internal controls to allow the authority to operate in full compliance with all laws and regulations.

PHA Response: See Corrective Action Plan

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Schedule of Current Audit Findings and Questioned Costs (Continued)

Fiscal Year Ended September 30, 2013

FINDING F-13-5

FEDERAL PROGRAM IDENTIFICATION:

Awarding Agency – HUD

CFDA #14.871, Housing Choice Vouchers Program, Federal Award Year
2012 & 2013

CRITERIA: 24 CFR 960.259 requires the Authority to obtain and document third party verification of income and other factors that affect the determination of rent. 24 CFR 982.516 requires internal controls be in place to ensure compliance with HUD requirements, as well as, accurate and complete tenant records.

CONDITION: Out of a tenant file population of approximately 58 tenant files, 12 were tested and the following deficiencies were noted:

- 4 files did not have annual recertifications completed timely
- 6 files did not include the required EIV report
- 5 files did not include the required HQS inspection
- One file did not include the required 3rd party income verification
- One file did not include a required rent comparable
- One file included a EIV discrepancy report which was not questioned by the Authority
- 1 file included an incomplete HQS inspection report

Cause: The Authority did not implement procedures and controls to ensure compliance.

Effect: The Authority is charging incorrect amount of rent and/or housing ineligible tenants. The authority is not in compliance with HUD regulations.

Questioned Costs: None

Recommendation: The Authority should develop and implement internal control procedures, systems and controls to ensure compliance with regard to HUD regulations.

PHA Response: See Corrective Action Plan

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Schedule of Current Audit Findings and Questioned Costs (Continued)

Fiscal Year Ended September 30, 2013

FINDING F-13-6

FEDERAL PROGRAM IDENTIFICATION:

Awarding Agency – HUD

CFDA #14.871, Housing Choice Vouchers Program, Federal Award Year
2012 & 2013

Criteria: The Authority is required to document rent comparables using an up to date database of comparable unassisted units in the community per 24 CFR 982

Condition: The Authority could not provide the database or method used for performing rent reasonableness comparables.

Cause: The Authority did not plan and implement procedures and controls to ensure compliance.

Effect: The Authority cannot prove that the HAP payments to landlords are reasonable. The authority is in violation of 24 CFR 982

Questioned Costs: None

Recommendation: The Authority should develop and implement procedures, systems and controls to ensure compliance with HUD regulations.

PHA Response: See Corrective Action Plan

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Schedule of Current Audit Findings and Questioned Costs (Continued)

Fiscal Year Ended September 30, 2013

FINDING F-13-7

FEDERAL PROGRAM IDENTIFICATION:

Awarding Agency – HUD
CFDA # 14.850, Public Housing Program, Federal Award Year 2012 &
2013
CFDA #14.871, Housing Choice Vouchers Program, Federal Award Year
2012 & 2013

Criteria: Per HUD regulations, the Authority should have all deposits with any financial institution in excess of the \$250,000 FDIC coverage secured with federally guaranteed securities specifically pledged to the Authority.

Condition: At FYE, MCHA had \$146,093 on deposit with a bank whose pledged securities were not federally guaranteed.

Cause: The Authority did not design and implement procedures and controls to ensure compliance.

Effect: The authority is not in compliance with HUD regulations.

Questioned Costs: None

Recommendation: The Authority should immediately develop and implement procedures, systems and controls to ensure compliance with regard to HUD regulations.

PHA Response: See Corrective Action Plan

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Schedule of Current Audit Findings and Questioned Costs (Continued)

Fiscal Year Ended September 30, 2013

FINDING F-13-8

FEDERAL PROGRAM IDENTIFICATION:

Awarding Agency – HUD

CFDA # 14.850, Public Housing Program, Federal Award Year 2012 & 2013

Criteria: The 1937 Act of Congress (Act) which authorized the creation of Public Housing Authorities (PHA) and the Annual Contributions Contract (ACC) requires PHA's receive prior HUD approval of any encumbrance, such as a lease of, any parcel of land acquired with Federal Funds.

As of 1999, the value of any land lease should be recorded in the MCHA financial statements in accordance with GAAP.

Condition: In a distant previous fiscal year, the Authority entered into a lease agreement with a convenience store whereas the convenience store leases a parcel of Authority property for \$12/year. MCHA did not provide documentation of HUD prior approval of this land lease. MCHA has not previously recorded this land lease in the FS's of MCHA in accordance with GAAP.

Cause: Unknown

Effect: It appears the authority violated the 1937 Act of Congress and the ACC by not having HUD pre approve the land lease and has not been in compliance with GAAP regarding FS disclosure of the land lease.

Questioned Costs: None

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Schedule of Current Audit Findings and Questioned Costs (Continued)

Fiscal Year Ended September 30, 2013

Recommendation:

I recommend MCHA request HUD's subsequent approval of the land lease. Upon my recommendation, MCHA approved modified wording in the footnotes to the FS's to properly report the lease.

I recommend MCHA immediately contract for a current real estate appraisal of the land lease to include the calculation of the present value of the lease and then consider any necessary modifications of the FS reporting. I recommend MCHA consider the terms of the existing land lease including the date the lease terminates for possible future negotiation extending the lease.

PHA Response: See Corrective Action Plan

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana
Schedule of Prior Year Audit Findings
Fiscal Year Ended September 30, 2013

FINDING NUMBER 2012-1

Finding Description – inadequate segregation of duties

Current status – I am not repeating this finding because I feel MCHA is already taking all reasonable financially feasible action to address this issue and do not want to cause MCHA to expend precious monies and time on this issue. Additionally, the engagement of this particular fee accountant is something I consider to be a significant strengthening to the segregation of duties.

FINDING NUMBER 2012-2

Finding description – Reward and Recognition bonuses

Current status – this is repeated as Finding F-13-1

FINDING NUMBER 2012-3

Finding Description – late audit per state law

Current Status – not repeated

FINDING NUMBER 2012-4

Finding Description – Tenant addendum

Current status – not repeated

FINDING NUMBER 2012-5

Finding Description – Annual reexaminations

Current status – this is repeated as Finding F-13-5

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana
Schedule of Prior Year Audit Findings (continued)
Fiscal Year Ended September 30, 2013

FINDING NUMBER 2012-6

Finding Description – Rent Reasonableness

Current status – this is repeated as Finding F-13-6

FINDING NUMBER 2012-7

Finding Description – unit inspections

Current status – this is repeated as Finding F-13-5

FINDING NUMBER 2012-8

Finding Description – Reward and Recognition bonus

Current status – this is repeated as Finding F-13-1

FINDING NUMBER 2012-9

Finding Description – Rent computation

Current status – this is repeated as Finding F-13-5

FINDING NUMBER 2012-10

Finding Description – Housing Assistance Payments

Current status – this is repeated as Finding F-13-5

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana
Corrective Action Plan for Current Year Findings
For Fiscal Year Ended September 30, 2013

CORRECTIVE ACTION PLAN

FINDING F-13-1

Person Responsible – Board of Commissioners

Anticipated Completion Date – 6-30-2014

Action Planned – The Board selected a panel to investigate this issue and report its conclusions to the Board. Regardless, the Board intends to modify Policies and Procedures and ensure proper Internal Controls to avoid this issue in the future.

FINDING F-13-2

Person Responsible – Clarence Robinson, Executive Director

Anticipated Completion Date – 3-31-2014

Action Planned – We will put into place adequate policies and procedures regarding internal controls to ensure that MCHA staff, during the normal course of their day to day activities, detect and correct any material mistakes to the financial statements.

FINDING F-13-3

Person Responsible – Clarence Robinson, Executive Director

Anticipated Completion Date – 9-30-2014

Action Planned – We will attempt to implement the auditors recommendations including -- taking steps to eliminate operating losses in the COCC and HCV fund, use the HUD provided Excel Tool to ensure that HCV Program Funds are brought into compliance ASAP, and develop and implement a plan to ensure that inter program loans are eliminated.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Corrective Action Plan for Current Year Findings (continued)

For Fiscal Year Ended September 30, 2013

FINDING F-13-4

Person Responsible – Clarence Robinson, Executive Director

Anticipated Completion Date – 9-30-2014

Action Planned –

We will consider opting out of Asset Management, which will reduce regulations the authority must comply with and make it easier to comply with the following regulations

We will immediately begin designing and implementing proper internal controls to allow the authority to operate in full compliance with all laws and regulations.

FINDING F-13-5

Person Responsible – Clarence Robinson, Executive Director

Anticipated Completion Date – 4-30-2014

Action Planned – The Authority will develop and implement internal control procedures, systems and controls to ensure compliance with regard to HUD regulations.

FINDING F-13-6

Person Responsible – Clarence Robinson, Executive Director

Anticipated Completion Date – 4-30-2014

Action Planned – The Authority will develop and implement procedures, systems and controls to ensure compliance with HUD regulations.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Corrective Action Plan for Current Year Findings (continued)

For Fiscal Year Ended September 30, 2013

FINDING F-13-7

Person Responsible – Clarence Robinson, Executive Director

Anticipated Completion Date – 4-30-2014

Action Planned – The Authority will immediately develop and implement procedures, systems and controls to ensure compliance with regard to this HUD regulation.

FINDING F-13-8

Person Responsible – Clarence Robinson, Executive Director

Anticipated Completion Date – 9-30-2014

Action Planned – We will request HUD approval of the lease arrangement already in place. We have approved modification of the current year F/S Footnotes to properly report the lease agreement in compliance with GAAP. We will contract for a real estate appraisal to determine the present value of the lease and then consider any further modifications to the FS's. We will review the lease for consideration of future negotiation upon the expiration of the lease.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Morgan City, Louisiana

Schedule of Compensation Paid to Board Members

Fiscal Year Ended September 30, 2013

Board members serve without compensation